

COMMON FORM 4 ERRORS
and HOW THE UNIFORM TRANSACTION CODES
WILL HELP SOLVE THEM!

The Form 4 is a summary of all the receipts and disbursements made by a trustee in an asset case. The data is collected for statistical reporting and other purposes. Every receipt and disbursement on your Form 2 must be assigned a uniform transaction code so that it is properly categorized on Form 4. Attached for your review are the current versions of the Form 4 and its instructions, which become effective when your computer system is updated for the new transaction codes, but not later than June 30, 2002. **A Form 4 must be submitted to our office for every case which was filed or converted after July 1, 1999. All cases closed after July 1, 2002 must include a Form 4 no matter what date the case was filed or converted.**

After reviewing Form 4's over the past year, our Region has identified the following list of errors, as common errors made by trustees when preparing their Form 4.

1. Gross Receipts - This number should include all the receipts in the case. If you made a mistaken entry on your Form 2 and had to add a corresponding entry to cancel the transaction, the amounts should not be included in the receipts and disbursements totals on Form 4. That is, the amount of the error should not be included in Gross Receipts and the amount of the reversing entry should not be included as a disbursement under Other Expenses.
 - a. The uniform transaction coding scheme eliminates this problem by netting the original error and its reversing, correcting, or voiding entry. The code for the correcting entry should be the same as the code for the original entry. For Form 4, the two entries will then net to zero and not cause receipts and disbursements to be overstated. On Form 2, the correcting entry should appear in the Deposit Column as a negative number. (Similarly, the correcting entry for a disbursement error appears in the Disbursements Column as a negative number.)
 - b. The uniform transaction code for a deposit made in error is 1280-002. Use this code for both the deposit and the check issued to transfer the funds to the correct estate. Form 4 will then be correct! If another code is initially used when recording the deposit, change it to 1280-002 when the error is discovered. Note that the check issued to the correct estate should appear on your Form 2 as a negative disbursement. The sample Form 2 provided by our Region illustrates how these transactions should appear on Form 2.
 - b. The Uniform Transaction Codes may be changed at anytime. Thus, if you discover that a deposit recorded as a payment on a scheduled accounts receivable (1121-000) is actually an unscheduled utility refund, you simply change the code to 1229-000.
 - c. When a receipt pertains to more than one asset, remember to divide the

amount among the applicable codes. For example, if a portion of a scheduled tax refund belongs to the debtor, the code for the estate portion is 1124-00x and the code for the debtor portion is 1180-00x. The code for the check issued to the debtor is 8500-00x. The last digit of the code is "x" because you will need to determine which wildcard applies: wildcard "0" for compensable amounts or wildcard "2" for non-compensable amounts.

2. Make sure that exemptions or any surplus to the debtor is subtracted from the gross receipts amount. These payments are not considered funds of the estate available for distribution, so these amounts are not reported as disbursements on Form 4. In addition, any payment to a third party, such as an escrow payment, would be subtracted from the gross receipts. Use of the following uniform transaction codes will ensure that Form 4 is correct:
 - a. Use 8100-002 for exemptions paid to the debtor.
 - b. Use 8200-002 for surplus funds paid the debtor (*adjust this comment if sub-code 05 is used in the region*).
 - c. Use 8500-00x for amounts paid to third parties (where x equals 0 or 2). Specifically, use it for amounts paid to non-debtor spouses or other non-debtor co-owners from sales of property in which they have an interest; escrow and other deposit refunds; and tax refunds where a portion belongs to the debtor (see above). Funds disbursed in this category may or may not be compensable, depending upon the facts of the case. Of course, this code is not used for payments to estate professionals and creditors.
3. In the "% of Receipts" column, the percentage of net receipts should equal the percentage of total disbursements. For example, if you had no exemptions, surplus payments or payments to third parties, then you will have a total of 100% to distribute to creditors and must show 100% for net receipts and for total disbursements in the "% of Receipts" column. Likewise, if you have 95% to distribute after the payment of an exemption, then the percentage under net receipts and total disbursements should be 95%.
4. Compare your Form 4 to your Form 2. Make sure that every disbursement is accounted for, including the bond payment (2300-000), insurance payments (2420-000), payments to replace locks (2420-000), etc. (*Adjust this comment if sub-code 75 is used in the region*).
5. Trustee fees (2100-000) and expenses (2200-000) should be listed separately on Form 4. On Form 4, this is also true for payments made to attorneys, accountants, and auctioneers. The uniform transaction coding scheme extends this convention to all payments to professionals. When recording payments to professionals within your automated system, remember that there are corresponding fee and expense transaction codes for each type of professional.
6. You must also distinguish between attorney and accountant fees for services

provided by outside professionals vs. inside professionals. These disbursements must be categorized differently depending on whether you have used your own firm or an outside firm. You will note that specific uniform transaction codes are provided for this purpose.

7. If no distribution is made in a particular Form 4 category, then the amounts listed under "Claims" and "Amount Paid" would both be zero.
8. When the payment is made to the trustee or a professional, the amounts under "Claims" and "Amount Paid" will usually be the same.
9. When the payment to creditors is less than a 100% distribution, the total amount of allowed claims should be listed in the "Claims" column and the amount actually paid (which will not equal the claims in the cases where less than 100% is being paid) should be listed in the "Amount Paid" column.
10. If you list an amount in the "Amount Paid" column, then you must list an amount in the "Claims" column. The amount listed will depend upon the amount of allowed claims in the case.
11. If you are paying 100% plus interest to priority and general unsecured creditors, there is no line item on Form 4 to list the interest separately. However, there is a transaction code for the interest. Use 7990-00x (where x usually equals 0) for the interest portion of the payments to priority and general unsecured claimants. On Form 4, the interest will be grouped under the General Unsecured Claims line item (including the interest paid on priority claims). The "Claims" column will reflect the total amount of allowed claims and the "Amount Paid" column will reflect 100% plus interest paid to creditors.
12. If late filed claims are being paid, use 7200-00x (where x usually equals 0). On Form 4, these claims and payments will be included in the General Unsecured Claims line item. If they are not being paid, do not include them.
13. To reiterate, if a 100% payment is made to an entity, then the amount listed in the "Claims" column will match the amount listed in the "Amount Paid" column (except for certain line items where interest is being paid—see above). If a trustee is paying less than 100% then the "Claims" column will always be a larger number than the "Amount Paid" column. Again, if no distribution is made in that category then zeros should appear in both the "Claims" and "Amount paid" columns. If you have difficulty generating these results, ask your computer service provider for training or guidance. When the claims are properly set up and the correct transaction codes are used, Form 4 can be generated at the touch of a button!
14. If you received a "net" check from the sale of real estate or any other type of property, your Form 2 should reflect the gross sale price minus the deductions or pay-offs, such as lien payments, real estate commissions, local taxes, state taxes and closing costs. These deductions must be listed on Form 2 and then properly

categorized for your Form 4, even though you did not distribute funds for these items, other than in a closing. The sample Form 2 provided by the region illustrates how transaction codes are used to facilitate recording this type of transaction. The gross sale price is coded and each payment is coded, but the net deposit is not.

15. The Form 4 does not separately account for unclaimed funds. If funds are being turned over to the Clerk as unclaimed funds, use wildcard "1" and the uniform transaction code that applies to the original claimant. For example, as you know, if a general unsecured claimant does not cash the distribution check, you void and re-issue it to the Clerk. The code for the check to the Clerk is 7100-001. On Form 4, the funds will be reflected in the "Claims" and "Amount Paid" columns for general unsecured creditors.
16. In summary, proofread your Form 4 before submission to our office. Always check your Form 4 against your Form 2. Categorize your entries appropriately for your banking/computer system so that your computer system has the correct information to summarize the transactions for your Form 4. Your system may have special reports to help you double-check the transactions and codes. An example is a "Category Report" which sorts the Form 2 transactions by transaction code. A quick review of this report can help you spot errors.